

Resources for the 2009 Tax Season

On Saturday, March 21, the IRS will be offering free tax help to those that make under \$42,000 per year. For more information on this program, [click here](#).

The Internal Revenue Service today kicked off the 2009 tax filing season by announcing a number of new steps to help financially distressed taxpayers maximize their refunds and speed payments while providing additional help to people struggling to meet their tax obligations.

IRS Commissioner Doug Shulman encouraged taxpayers to take advantage of several new tax credits and deductions this filing season and announced a major enhancement to the Free File program that will allow nearly all taxpayers to e-file for free and accelerate their refunds.

Help for People Who Owe Taxes

With many people facing additional financial difficulties, the IRS is taking several additional steps to help people who owe back taxes.

“We need to ensure that we balance our responsibility to enforce the law with the economic realities facing many American citizens today,” Shulman said. “We want to go the extra mile to help taxpayers, especially those who’ve done the right thing in the past and are facing unusual hardships.”

On a wide range of situations, IRS employees have flexibility to work with struggling taxpayers to assist them with their situation. Depending on the circumstances, taxpayers in hardship situations may be able to adjust payments for back taxes, avoid defaulting on payment agreements or possibly defer collection action.

The IRS reminds taxpayers who are behind on tax payments and need assistance to contact the phone numbers listed on their IRS correspondence. There could be additional help available for these taxpayers facing unusual hardship situations.

Among the areas where the IRS can provide assistance:

Postponement of Collection Actions: IRS employees will have greater authority to suspend collection actions in certain hardship cases where taxpayers are unable to pay. This includes instances when the taxpayer has recently lost a job, is relying solely on Social Security or welfare income or is facing devastating illness or significant medical bills. If an individual has recently encountered this type of financial problem, IRS assistants may be able to suspend collection without documentation to minimize burden on the taxpayer.

Added Flexibility for Missed Payments: The IRS is allowing more flexibility for previously compliant individuals in existing Installment Agreements who have difficulty making payments because of a job loss or other financial hardship. The IRS may allow a skipped payment or a reduced monthly payment amount without automatically suspending the Installment Agreement. Taxpayers in a difficult financial situation should contact the IRS.

Additional Review for Offers in Compromise on Home Values: An Offer in Compromise (OIC), an agreement between a taxpayer and the IRS that settles the taxpayer's tax debt for less than the full amount owed, may be a viable option for taxpayers experiencing economic difficulties. However, the equity taxpayers have in real property can be a barrier to an OIC being accepted. With the uncertainty in the housing market, the IRS recognizes that the real-estate valuations used to assess ability to pay may not be accurate. So in instances where the accuracy of local real-estate valuations is in question or other unusual hardships exist, the IRS is creating a new second review of the information to determine if accepting an offer is appropriate.

Prevention of Offer in Compromise Defaults: Taxpayers who are unable to meet the periodic payment terms of an accepted OIC will be able to contact the IRS office handling the offer for available options to help them avoid default.

Expedited Levy Releases: The IRS will speed the delivery of levy releases by easing requirements on taxpayers who request expedited levy releases for hardship reasons. Taxpayers seeking expedited releases for levies to an employer or bank should contact the IRS number shown on the notice of levy to discuss available options. When calling, taxpayers requesting a levy release due to hardship should be prepared to provide the IRS with the fax number of the bank or employer processing the levy.

Taxpayers with financial problems who discover they can't pay when they file their 2008 tax returns also have options available. IRS.gov has a list of What If? scenarios that deal with payment and other financial problems. These scenarios, in question-and-answer format, provide information on specific actions taxpayers can take. Taxpayers unable to pay in full can likewise contact the IRS to discuss additional options to pay.

Maximizing Refunds and Speeding Refund Delivery

This filing season, there are several steps taxpayers can take to maximize their refunds and speed the delivery of money from the IRS.

Taxpayers should look into the numerous tax breaks available and take every credit, deduction and exclusion for which they qualify. People who had less income in 2008 could find they qualify for credits for which they previously did not qualify.

And there are several new benefits this year:

First-Time Homebuyer Credit: Those who bought a principal residence recently or are considering buying one should take note. This unique credit of up to \$7,500 works much like a 15-year interest-free loan. A special page on IRS.gov has more details and answers to common questions.

The Recovery Rebate Credit: This credit is figured like last year's Economic Stimulus Payment except that Recovery Rebate Credit amounts are based on tax year 2008 instead of 2007. Most people already received their full benefit in the form of the Economic Stimulus Payment. However, a taxpayer may qualify for the Recovery Rebate Credit, if, for example, he or she did not get an Economic Stimulus Payment, had a child in 2008 or had a change in income level. If you receive this credit, it will be included in your refund and will not be issued as a separate payment. See the Form 1040 Instructions, Fact Sheet 2009-3 or the information center on IRS.gov for details.

Standard Deduction for Real Estate Taxes: Taxpayers can claim an additional standard deduction, based on the state or local real estate taxes paid in 2008. The maximum deduction is \$500, or \$1,000 for joint filers.

Mortgage Workouts and Foreclosures: For most homeowners, these are now tax-free. Eligible homeowners can exclude debt forgiven on their principal residence if the balance of the loan was less than \$2 million. The limit is \$1 million for a married person filing a separate return. See Form 982 and its instructions for details.

IRS.Gov

IRS.gov has more information on these and other popular credits, such as the child tax credit, the Earned Income Tax Credit and alternative fuel vehicle credit.

E-File, E-Pay and Direct Deposit

This year, electronic filing options will speed the payment of refunds to millions of taxpayers. Taxpayers who e-file and choose direct deposit for their refunds, for example, will get their refunds in as few as 10 days. That compares to approximately six weeks for people who file a paper return and get a traditional paper check.

This year, taxpayers can begin filing electronically on Jan. 16.

The IRS in 2009 is again offering free tax preparation and filing through the Free File program. Anyone with an adjusted gross income up to \$56,000 can use the standard Free File options this year — that is approximately 98 million Americans. The program also has usability improvements, including a standardized set of electronic forms that are most frequently used by Free File-eligible taxpayers.

This year the IRS and its partners are offering a new option, Free File Fillable Tax Forms, that opens up Free File to virtually everyone, even those whose incomes exceed \$56,000.

Free File Fillable Tax Forms allows taxpayers to fill out and file their tax forms electronically, just as they would on paper. This option does not include an "interview" process like the other Free File offerings, but it does allow taxpayers to enter their tax data, perform basic math calculations, sign electronically, print their returns for recordkeeping and e-file their returns. It may be just right for those who are comfortable with the tax law or those who use electronic software to prepare their returns but file using paper forms.

Both the fillable-forms option and the previously available Free File offerings are available only through the IRS.gov Web site. More information will be available in mid-January.

1040 Central and Taxpayer-Friendly Features

When they visit the IRS.gov Web site this filing season, taxpayers may notice the new “rotating spotlight” feature on the homepage. The spotlights, which change every few seconds, give the taxpaying public direct access to more of the IRS Web site’s vast amount of content.

Also on the homepage, taxpayers can click on 1040 Central to find help preparing and filing their tax returns. Like last year, this popular section of IRS.gov has a wide range of offerings that address taxpayer needs.

Finally, the IRS is producing a number of podcasts this filing season that will be available on IRS.gov .